

# HSA & FSA: EXPLORING THE DIFFERENCES



**Flexible Spending Accounts (FSAs)** and **Health Savings Accounts (HSAs)** allow you to utilize pre-tax funds for healthcare expenses. By utilizing these accounts, you can lower costs and boost savings; helping you save money for out-of-pocket medical expenses that may not be covered by insurance. Eligibility for an FSA or HSA can provide substantial benefits.

## Health Savings Account (HSA)

- Enjoy triple tax savings on contributions, withdrawals, and investment growth.
- Requires an HSA-eligible high deductible health plan (HDHP) to contribute.
- Ownership is portable, allowing you to open an HSA independently if your employer doesn't offer it.
- Funding your HSA can be done either pre-tax per paycheck or through post-tax contributions.
- You may only spend what you have saved and unused HSA funds roll over from year to year, even into retirement. Once you reach 65, you have the flexibility to use the funds for any purpose. However, health care expenses approved by the IRS will be tax-free, while other expenses will be taxed as income.
- Adjust your contributions anytime during the year to save more or less as needed.
- Invest your funds for long-term growth.
- Can be paired alongside a Limited Purpose FSA

## Flexible Spending Account (FSA)

- Employer-sponsored plans are categorized into three types:
  - Medical FSA
  - Dependent Care FSA
  - Limited Purpose FSA (can only be used for dental and vision expenses)
- These plans operate on an annual basis, allowing you to save and utilize funds within the plan year, making them ideal for predicted expenses.
- You can access your entire annual contribution on the first day of the plan year and can use the funds for eligible expenses without waiting for them to accumulate.
- Contributions are determined at the start of the plan year and can only be adjusted in the event of a qualifying circumstance.



# HSA vs. FSA

**HSA, FSA, or Both?**  
 Take into account the following  
 when selecting the most suitable  
 option for your needs:



HSA

Health Savings Account



FSA

Flexible Spending Account

Ability to spend money on qualified medical expenses.



100% of your elected amount is available day one.



You can invest the money for potential tax-free growth.



Carry over 100% of your unused funds year to year.



Your account belongs to you, not your employer and is portable if you leave your job



You must have an HDHP HSA-eligible health plan as your only health insurance to contribute.



Only available through your employer.



You can use the funds for qualified medical expenses in retirement.



Ability to invest and earn interest on funds.



**The main differences between HSAs and FSAs come down to eligibility and flexibility**

**Health Savings Accounts (HSA)** have higher contribution limits and allow fund carryover but require enrollment in an HSA-eligible health plan. **Flexible Spending Accounts (FSA)** come with lower limits, and any unused funds are forfeited; however, an FSA is accessible to all benefit eligible employees if provided by the employer. **Both** help save for medical expenses!

